



DELAINE EASTIN
State Superintendent of Public Instruction

CALIFORNIA
DEPARTMENT
OF
EDUCATION

721 Capitol Mall

P. O. Box 944272

Sacramento, CA

94244-2720

MANAGEMENT BULLETIN 02-02

February 5, 2002

To: County and District Superintendents
Charter School Administrators

Attention: County and District Chief Business Officers

From: Susan Lange, Deputy Superintendent
Finance, Technology, and Administration

Subject: **REDUCTIONS IN CURRENT-YEAR APPROPRIATIONS**

On Thursday, January 10, 2002, Governor Gray Davis presented his budget proposal for the 2002-03 fiscal year. In addition to providing a proposed spending plan for the budget year, the budget contained a number of proposals for current-year (2001-02) spending reductions. The current-year spending reductions had been proposed originally in November. The Legislature and the Governor have now taken final action on SB 1 and SB 5, Third Extraordinary Session, which contain the current-year budget reduction package. In acting on the proposals, the Legislature approved some of the Governor's November proposals, rejected some, and substituted new proposals for some of the Governor's.

This bulletin describes the funding reductions approved by the Legislature and Governor. Copies of this bulletin, as well as other budget-related documents, are available through the California Department of Education's (CDE) web site (www.cde.ca.gov/fiscal/budgetact/). The budget itself is available through the Department of Finance's web site (www.dof.ca.gov/).

The spending reductions in the current year are needed to close a projected funding gap of \$12 billion in 2001-02 and 2002-03. The funding gap represents the difference between projected revenues and projected spending over the two-year period and is the result of a recession affecting the national economy, the terrorist attacks in September, and a steep decline in the stock market.

The total effect of the budget reduction package on K-12 education local assistance is \$856.6 million, including \$453.7 million for reductions in Proposition 98 spending, \$396.8 million in reductions to one-time funding that does not count in the Proposition 98 figures, and \$6 million in a reduction affecting non-Proposition 98 spending. Table 1 in the Appendix provides a list of the proposals as identified in the budget and as approved by the Legislature and Governor. The specific reductions are described below.

Rejected Proposals and Funding Shifts

The Legislature rejected three budget reduction proposals submitted by the Governor: per ADA grants (\$67.8 million), equalization (\$40 million), and the reduction in the PERS offset (\$35 million), because these programs have already been built into local budgets. The Legislature adopted language, however, that suspends funding for two of the programs (equalization and PERS offset) in the budget year, 2002-03. The Legislature also shifted the funding source for two of these programs (per ADA grants and the PERS offset) from one-time funds to ongoing funds.

It is *not* likely that any of these programs will be restored in the budget year. It is important that local education agencies develop their 2002-03 budgets taking these reductions into account.

Energy Funding

The 2001 Budget Act provided \$250 million in one-time funds for energy-related costs and other one-time purposes.

The Legislature approved a reduction of \$175 million in this program, leaving \$75 million. The Legislature also approved language setting aside up to \$8 million of the \$75 million for a third year of implementation grants for schools meeting specified criteria under the Immediate Intervention/Under-Performing Schools program. The remaining funds for energy-related costs and other one-time purposes will be distributed as provided in the original budget language, with the exception that the minimum school site grant is reduced from \$14,000 to \$3,750.

High Priority Schools Grant Program

The 2001 Budget Act provided \$197 million in one-time funds for a new high priority schools grant program.

The Legislature approved a reduction of \$159 million in this program. The effect of the reduction is to delay full implementation. The Legislature adopted language specifying that the remaining \$38 million shall be allocated for planning costs in schools in decile 1 (\$18 million) and decile 2 (\$20 million), and that funding priority shall be given to schools that apply for federal low-performing schools funding (CSRD). The \$38 million would be available for planning costs to be incurred in the current year (\$18 million) and 2002-03 (\$20 million).

Certificated Staff Performance Awards

The 2001 Budget Act provided \$100 million for performance awards for certificated employees in underachieving schools that demonstrate significant improvements.

The Legislature eliminated this program in the current year.

School Bus Safety II Mandate

The 2001 Budget Act provided \$66.7 million in one-time funds for current-year costs of this mandate. In the 2001 Budget Act, the Legislature did not fund projected prior-year costs of the mandate totaling \$233.7 million pending completion of a report by the State Auditor on the program. The 2002-03 proposed budget does not contain any funding for this mandate.

The Legislature deleted the \$66.7 provided for the current-year costs of the program, thus deferring payment of any costs for this program.

Peer Assistance and Review

The 2001 Budget Act provided \$134.2 million for peer assistance and review.

The Legislature approved a reduction of \$50 million in funding for this program. The funding reduction will be prorated among participants.

Mathematics and Reading Professional Development

The 2001 Budget Act provided \$80 million in one-time funds for a new mathematics and reading professional development program.

The Legislature approved a reduction of \$48.3 million in funding for this program. The effect of the reduction is to delay full implementation.

Healthy Start

The 2001 Budget Act provided \$38 million for new Healthy Start grants.

The Legislature approved a reduction of \$38 million in funding for this program. The effect of the reduction is to eliminate new grants in the current year.

Before- and After-School Expansion

The 2001 Budget Act provided \$29.7 million to expand before- and after-school programs.

The Legislature approved a reduction of \$22.2 million, leaving \$7.5 million in expansion funding. The effect of the reduction is to delay implementation until the last quarter of the year. Half of the expansion funds are for before-school programs and half are for after-school programs.

Teaching as a Priority Block Grant

The 2001 Budget Act provided \$118.7 million for teaching as a priority grants. These grants are awarded on a competitive basis to school districts to provide incentives to employ and retain teachers in low-performing schools.

The Legislature deleted all funds for this program. It is possible that the 2002-03 budget will include funds for current-year allocations.

Beginning Teacher Support and Assessment

The 2001 Budget Act provided \$104.6 million for the Beginning Teacher Support and Assessment program.

The Legislature approved a reduction of \$20 million in this program. This reduction will mean that fewer participants can be funded.

Digital High Schools

The 2001 Budget Act provided \$76 million for digital high schools.

The Legislature approved a reduction of \$15 million in this program. The reduction captures savings due to less-than-anticipated participation.

High Achieving/Improving Schools

The 2001 Budget Act provided \$157 million for awards to schools that meet or exceed performance targets.

The Legislature approved a reduction of \$12.7 million in this program. The effect of the reduction is to reduce the number of awards.

Ninth Grade Class Size Reduction

The 2001 Budget Act provided \$145.2 million for ninth grade class size reduction.

The Legislature approved a reduction of \$10 million in this program. The reduction captures savings due to less-than-anticipated participation.

Professional Development Institute Stipends

The 2001 Budget Act provided \$54 million for stipends for teachers to attend University of California professional development institutes.

The Legislature approved a reduction of \$6 million in this program. The reduction captures savings due to less-than-anticipated participation.

Charter School Facilities Grants

The 2001 Budget Act provided \$10 million for grants to charter schools for facilities.

The Legislature approved a reduction of \$5 million in this program. Funding has not yet been allocated for this program.

National Board for Professional Teaching Standards Certification

The 2001 Budget Act provided \$15 million for incentives for teachers to seek certification by the National Board for Professional Teaching Standards.

The Legislature approved a reduction of \$5 million in this program. The reduction reflects lower participation than anticipated.

High Tech High Schools

The 2001 Budget Act provided \$10 million in one-time funds for a new high tech high school program.

The Legislature approved a reduction of \$4 million in this program. The effect of the reduction is to extend program implementation over a longer time period.

High School Coach Training

The 2001 Budget Act provided \$1 million for high school coach training.

The Legislature deleted all funds for this program. In part, the reduction reflects lower-than-anticipated participation.

Next Steps in the Process

Legislative hearings on the budget for 2002-03 (contained in AB 1777 and SB 1261) should begin in March. In May, the Governor's Department of Finance will issue its traditional "May Revision" of population, revenue, and expenditure projections, and growth and COLA estimates are subject to change at that time. The budget bills, having been amended in each house, will be reconciled by a joint conference committee and should be passed to the Governor in late June. Upon receiving the final Budget Bill, the Governor may then exercise his line-item veto before signing the Budget Act of 2002.

Questions regarding this bulletin should be directed to the Fiscal Policy Office of the School Fiscal Services Division at (916) 323-8068.

NOTICE:

The guidance in this bulletin is not binding on local education agencies or other entities. Except for the statutes, regulations, and court decisions that are referenced herein, this bulletin is exemplary, and compliance with it is not mandatory. (See Education Code Section 33308.5.)

APPENDIX

Table 1
Current Year Budget Reductions
(in thousands)

	January Proposal	Approved by Legislature
One-time funds		
Energy assistance	\$250,000	\$175,000
Categorical programs per ADA allocation	67,831	
School bus safety mandate		66,728
Mathematics and reading professional development		48,272
Revenue limit equalization	40,000	
PERS offset	35,000	
High tech high schools	4,000	4,000
Shift to ongoing funding		102,831
Subtotal	\$396,831	\$396,831
Ongoing funds		
High priority schools grant program	\$197,000	\$159,000
Certificated staff performance awards	50,000	100,000
Peer assistance and review	50,000	50,000
Healthy start	38,000	38,000
Before- and after-school expansion	29,700	22,200
Teaching as a priority block grant	20,000	118,650
Beginning Teacher Support and Assessment	20,000	20,000
Digital high school	15,000	15,000
High Achieving/Improving Schools		12,700
Ninth grade class size reduction	10,000	10,000
Charter school facilities grants	5,000	5,000
National Board for Professional Teaching Standards certification	5,000	5,000
High school coach training	1,000	1,000
Shift from one-time funds		-102,831
Subtotal	\$440,700	\$453,719
Non-Proposition 98		
Professional development institute stipends	\$6,000	\$6,000
TOTAL	\$843,531	\$856,550